

**Service Area Plan**  
**Department of Accounts**  
**Payroll Operations (73703)**

## **Service Area - Payroll Operations**

### **Background Information**

#### **Service Area Description**

The State Payroll Operations service area administers the central payroll system (CIPPS) and ensures and facilitates the calculation of payroll and benefits for state employees by agency payroll personnel. Most state employees are served by CIPPS, although the largest state-supported colleges and universities operate independent payroll systems. In addition to payroll related services, this unit is responsible for the state's charge card services (both purchasing and travel), compliance monitoring and reporting.

Agencies may calculate several payrolls on a weekly, biweekly, semimonthly or monthly basis or "as needed" to cover special situations and demands. About 1,300 payroll staff at over 200 agencies and institutions are granted secure access to the central payroll system. The distribution of pay is either by direct deposit (about 90% of all salaried employees) or by payroll check.

Employers are subject to severe financial penalties for inaccurate reporting of federal tax withholding. DOA deposits about \$195 million each quarter on behalf of over 200 state agency employers. This activity includes the administration of the Federal Automated Deposit program (FAD), preparation and electronic filing of quarterly withholding reports (IRS Form 941), preparation of year end filings for over 120,000 W-2 forms, electronic reporting to the IRS and the Social Security Administration, and preparation and filing of adjusted forms as needed (Forms 941C, W-2C, and W-3C).

Accounting and disbursements processing for benefits covers the deduction, reconciliation, disbursement and accounting for all amounts deducted from employee pay for both state benefit and supplemental deduction programs. The major benefit deductions include health care, Section 125 flexible spending accounts, and the Section 457 deferred compensation program. This service also includes the transmission of data to the VRS for retirement service credit recording, as well as the accounting of funds for employees who are eligible and have elected to participate in one of the three optional retirement programs offered in place of VRS. All deducted amounts are reconciled before the funds are disbursed to the appropriate receiving party. Deductions for other purposes are also supported including, CVC (charitable foundation contributions), U.S. Savings Bond purchases, child support orders, garnishment fees, dues for employee associations and premiums for supplemental insurance coverage and tax-deferred annuities.

The Small Purchase Charge Card Program (SPCC) was initiated in order to reduce the volume and cost of accounts payable transactions. The program was implemented in January 1, 1995 and offers state agencies and institutions an alternative payment method when making small purchases under \$5,000. A "gold card" program also enables certain types of purchases to be charged up to \$50,000. In 2005, over \$220 million was purchased under this program and the Commonwealth received over \$1.5 million in rebates from the charge card vendor. The program is currently being converted to a new MasterCard platform.

# **Service Area Plan**

## **Department of Accounts**

### **Payroll Operations (73703)**

The travel charge card program is used by individuals who travel overnight more than two times a year to pay for official state travel expenses. Employees request and receive reimbursement for travel expenses as they complete travel, but must pay their travel charge card bills monthly. In 2005, 6,300 travel charge cards are in use.

This service area is responsible for the Report On Statewide Financial Management and Compliance. Each quarter DOA provides the Governor, Cabinet and Agency Heads with a comprehensive report on various measures used to monitor the degree to which agencies have complied with various accounting and financial management policies, procedures and standards of performance.

#### **Service Area Alignment to Mission**

This area supports the mission of the agency by processing payrolls efficiently, effectively and accurately. The charge card programs improve the efficiency and productivity of agencies in the Commonwealth.

#### **Service Area Statutory Authority**

§ 2.2-2814. How salaries, expenses and other allowances paid; time of payment.

The salaries, expenses and other allowances, including mileage, mentioned in this chapter, Chapter 1 (§ 2.2-100 et seq.) of this title and Chapter 1.1 (§ 30-19.11 et seq.) of Title 30 shall, except where otherwise specifically provided, be paid out of the state treasury after being duly audited, and the Comptroller shall draw his warrants on the State Treasurer for the payment thereof. Salaries shall be paid every two weeks, semimonthly or monthly, at the discretion of the Comptroller, upon such dates as the Comptroller may prescribe. Expenses shall be paid when they have been incurred, and the other allowances shall be paid when the services have been rendered or the travel has been performed however, members of the General Assembly and others traveling to the seat of government who would be entitled to mileage for traveling home may receive such mileage before going home.

(Code 1950, §§ 14-1, 14-27; 1962, c. 547; 1964, c. 386, § 14.1-1; 1998, c. 872, § 2.1-20.5; 2001, c. 844.)

#### **Service Area Customer Base**

<b>Customers</b>	<b>Served</b>	<b>Potential</b>
Employees of the Commonwealth	89,000	89,000
Fiscal Staffs in agencies	230	230

#### **Service Area Products and Services**

- This area administers the charge card programs ensuring timely remittances to the card vendor and compliance with policies and procedures.
- This area processes payrolls daily which results in the distribution of funds to state employees.
- This area prepares the Report on Statewide Financial Management and Compliance.

#### **Factors Impacting Service Area Products and Services**

The ability to attract and retain talented employees to handle the complex issues that DOA must address. The impact of new Code and accounting/payroll requirements on our system and business.

# Service Area Plan

## Department of Accounts

### Payroll Operations (73703)

#### Anticipated Changes to Service Area Products and Services

We anticipate enhancements to our systems identified through analysis and enhancements which will be required to meet new Code or accounting requirements.

#### Service Area Financial Summary

This area is almost entirely funded by general funds. A small reimbursement is received annually from the Health Insurance Fund to cover for services rendered to the fund.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$739,654	\$42,000	\$739,654	\$42,000
Changes to Base	\$64,010	\$16,665	\$64,010	\$16,665
<b>SERVICE AREA</b>	<b>\$803,664</b>	<b>\$58,665</b>	<b>\$803,664</b>	<b>\$58,665</b>

## Service Area Objectives, Measures, and Strategies

#### Objective 73703.01

##### *Improve personnel/payroll processing.*

Currently, data entry into both CIPPS & PMIS are required for over 5,000 transactions each quarter. This objective is intended to ease the data entry requirements on state personnel and improve efficiency of the payroll/personnel systems.

##### This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

##### This Objective Has The Following Measure(s):

- **Measure 73703.01.01**

*Percent of duplicate data entry requirements eliminated through automation/integration.*

**Measure Type:** Outcome

**Measure Frequency:** Annually

**Measure Baseline:** 70%, each quarter

**Measure Target:** 70%, 2006-2008 biennium

**Measure Source and Calculation:** Data generated by the CIPPS/PMIS systems.

##### Objective 73703.01 Has the Following Strategies:

- This objective is intended to reduce the effort required by agencies when entering information into both the CIPPS and PMIS.

**Service Area Plan**  
**Department of Accounts**  
**Payroll Operations (73703)**

**Objective 73703.02**

*Maximize efficiency and minimize processing costs related to the Commonwealth Purchasing Card.*

This objective is intended to increase the spend on the state purchasing card. This objective will maximize efficiency in agency processing and minimize processing costs. Moving to a Master Card platform will increase vendor acceptance and will result in a higher rebate for the state. This objective is hindered somewhat by a change in the provider of this service halfway through FY 2006.

**This Objective Supports the Following Agency Goals:**

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.  
(Using the procurement card to the maximum extent possible improves the efficiency in processing in state agencies.)

**This Objective Has The Following Measure(s):**

- **Measure 73703.02.00**  
*Percent that the Commonwealth procurement card charge volume increases.*  
**Measure Type:** Output      **Measure Frequency:** Annually  
**Measure Baseline:** 5%, FY 2006  
**Measure Target:** 5%, 2006-2008 biennium  
**Measure Source and Calculation:** The data is collected by the provider of the credit card service.

**Objective 73703.02 Has the Following Strategies:**

- This objective will increase the efficiency and effectiveness of state agencies by processing payments in the most efficient way possible.

**Objective 73703.03**

*Train CIPPS payroll and leave users.*

Schedule a minimum of two CIPPS payroll or leave training sessions during each year. Also respond to individual agency requests for on-site training as needed.

**This Objective Supports the Following Agency Goals:**

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.  
(Training agency on use of CIPPS payroll and leave processes will increase the efficiency of the staff and improve agency performance.)

**This Objective Has The Following Measure(s):**

- **Measure 73703.03.03**  
*Number of individuals offered CIPPS payroll or leave training.*  
**Measure Type:** Output  
**Measure Frequency:** Annually  
**Measure Baseline:** FY 2005 - 250. (The number of agency personnel trained in FY2005 was higher than normal due to new applications implemented in FY2005.)  
**Measure Target:** 40, 2006-2008 biennium  
**Measure Source and Calculation:** Payroll Operations maintains data.

# **Service Area Plan**

## **Department of Accounts**

### **Payroll Operations (73703)**

#### **Objective 73703.03 Has the Following Strategies:**

- Schedule routine training sessions well in advance to ensure that agency personnel are properly trained.

#### **Objective 73703.04**

##### ***Process payroll requests timely.***

This objective requires the review of payroll certification requests for appropriate pay periods and pay dates, ensuring all payrolls are processed by the final certification date and scheduling all standard and exception jobs nightly.

#### **This Objective Supports the Following Agency Goals:**

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.  
(Ensures timely processing of agency payrolls.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73703.04.04**

##### ***Percent of payrolls reviewed and processed by the final certification date.***

**Measure Type:** Outcome

**Measure Frequency:** Other

**Measure Baseline:** 100%, FY 2005

**Measure Target:** 100%, 2006-2008 biennium

**Measure Source and Calculation:** Payroll Operations maintains this data.

#### **Objective 73703.04 Has the Following Strategies:**

- Reviewing payroll requests and ensuring that all payrolls are properly certified improves accuracy and efficiency of payroll operations.

#### **Objective 73703.05**

##### ***Manage payroll deductions.***

Each pay period amounts are deducted from employee pay for various fringe benefits. These deductions must be transmitted to the vendors in a timely manner. Payroll operation reconciles deducted funds with posted amounts in CARS noting any timing differences. After reconciliation is complete the data file and the deducted funds are transmitted to the vendor.

#### **This Objective Supports the Following Agency Goals:**

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.  
(This objective ensures that deducted funds are transmitted to the vendors accurately and timely.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73703.05.05**

##### ***Percent of payroll deductions transmitted to the vendor timely.***

**Measure Type:** Outcome      **Measure Frequency:** Other

**Measure Baseline:** 100%, FY2005

**Measure Target:** 100%, 2006-2008 biennium

**Measure Source and Calculation:** Payroll Operations maintains this data.

# **Service Area Plan**

## **Department of Accounts**

### **Payroll Operations (73703)**

#### **Objective 73703.05 Has the Following Strategies:**

- This objective ensures that payroll deductions are transmitted to the vendor by the deadlines.

#### **Objective 73703.06**

##### ***Meet quarterly IRS reporting requirements and payment deadlines.***

This objective ensures that IRS quarterly reporting deadlines are met. This includes maintaining the composite tax database with payroll data, monitoring agency submission of quarterly reconciliations and performing adjustments as needed.

This objective includes the following:

- Monitor agency certification of calendar year reports
- Perform adjustments as requested by agencies
- Balance final report totals
- Print employee W-2's
- Coordinate activities with finishing vendor
- Transmit files to IRS

#### **This Objective Supports the Following Agency Goals:**

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.  
(The balancing and transmission of taxes withheld assist in the accuracy and efficiency of payroll operations.)

#### **This Objective Has The Following Measure(s):**

- **Measure 73703.06.06**

***Percent of the 941 reports transmitted in accordance with IRS deadlines.***

**Measure Type:** Outcome      **Measure Frequency:** Quarterly

**Measure Baseline:** 100%, each quarter

**Measure Target:** 100%, each quarter in the 2006-2008 biennium

**Measure Source and Calculation:** Payroll Operations measures this.

- **Measure 73703.06.07**

***Percent of W-2s processed by the IRS deadline of January 28.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 100%, FY 2005.

**Measure Target:** 100%, each year of the 2006-2008 biennium.

**Measure Source and Calculation:** Payroll Operations maintains data.

#### **Objective 73703.06 Has the Following Strategies:**

- Execute procedures in Payroll Operations ensure that the 941's are completed in a timely manner.

**Service Area Plan**  
**Department of Accounts**  
**Payroll Operations (73703)**

**Objective 73703.07**

***Process employee W-2's timely.***

This objective includes the following:

- Monitor agency certification of calendar year reports
- Perform adjustments as requested by agencies
- Balance final report totals
- Print employee W-2's
- Coordinate activities with finishing vendor
- Transmit files to IRS

**This Objective Supports the Following Agency Goals:**

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

(This objective ensures that agency w-2's are produced accurately and transmitted to employees and the IRS by the deadlines.)

**This Objective Has The Following Measure(s):**

- **Measure 73703.07.08**

***Percent of W-2's processed by the employee deadline of January 28.***

**Measure Type:** Outcome      **Measure Frequency:** Annually

**Measure Baseline:** 100%, FY 2005

**Measure Target:** 100%, each year of the 2006-2008 biennium

**Measure Source and Calculation:** Payroll Operations maintains data.